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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

NEW YORK CITY OFF-TRACK BETTING
CORPORATION,

Debtor.¹

Chapter 9

Case No. 09-17121 (MG)

**NOTICE TO CREDITORS AND OTHER PARTIES IN INTEREST OF
CONTINUED OPERATION OF NEW YORK CITY OFF-TRACK BETTING
CORPORATION**

New York City Off-Track Betting Corporation (“NYC OTB”) previously advised this Court of its intention to cease operations by the end of March 2010 in the absence of legislation to restructure the racing industry in New York. On or about March 26, 2010, NYC OTB distributed layoff notices to its employees, effective April 11, 2010. On April 9, 2010, NYC OTB suspended the layoff notices for up to one week, to April 18, 2010, pending further legislative negotiations. Although legislation was not enacted, NYC OTB determined, at a public meeting of its Board of Directors held on April 17, 2010,

¹ NYC OTB’s address is 1501 Broadway, New York, NY 10036. NYC OTB’s tax identification number is 13-2664509.

that by taking certain actions to reduce costs, access new sources of revenue and manage its cash flow, it could continue operations for up to a year, while it attempted negotiations with its stakeholders for a resolution of its financial difficulties. The Board of Directors therefore resolved to rescind the layoff notices, to continue operations and to engage with the Official Unsecured Creditors Committee appointed in this chapter 9 case, which represents many of its stakeholders, including the racing industry, its employees and its landlords, in negotiations over a plan of debt adjustment as well as over legislation for the long term survival and health of racing in the State of New York.

The Remarks of Meyer S. Frucher, Chairman of the Board, at the April 17, 2010 Board of Directors meeting on these matters is attached hereto as Exhibit A.

Dated: April 19, 2010

CRAVATH, SWAINE & MOORE LLP

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EXHIBIT A

**REMARKS OF CHAIRMAN FRUCHER
APRIL 17, 2010**

REMARKS OF CHAIRMAN FRUCHER, APRIL 17, 2010

I open this special meeting of the Board of Directors of the New York City Off-Track Betting Corporation by noting what is obvious to everyone in the room; the Corporation has arrived at a critical crossroad. At our last meeting, the Board adopted a resolution which provided that a complete shut down of active operations would occur and a layoff of all the Corporation's employees would take place no later than close of business tomorrow, Sunday, April 18th, unless action was taken by the State Legislature to amend provisions of the Racing Law so as to allow and enable the Corporation to retain additional sums from wagering in order to operate on a positive cash flow basis. The essence of the message underlying the resolution was not new; representatives of the Corporation, as well as other segments of the off-track betting industry in the state, repeatedly have noted over the course of almost two decades, that New York's OTB corporations were headed for a crisis unless the statutory scheme of distribution under the Racing Law was overhauled.

During this multi-year period, I think it fair to say that no proposals for reduction of payments by an OTB to the race tracks and other racing interests in the State -- although many such proposals were introduced into the legislature over that time -- received serious consideration, let alone passed. In this respect, I am exceedingly pleased to be in the position to report this no longer is the case. Earlier this week, there was a three way agreement among leaders of the Assembly, State Senate and the Executive Chamber on at least an interim package for New York City OTB that would grant temporary relief from certain payments called for under the Racing Law. While the Legislation was said to have been agreed upon on a three way basis, the Legislature did not take action on a bill. Nevertheless, the announced achievement of consensus from each of the necessary branches of government on the need to rationalize the racing law and to preserve jobs not only at New York City OTB, but throughout the racing industry and allied agriculture and horse breeding industries in the Empire State - - possibly as many as 75,000 jobs all totaled - - truly marks the opening of a new chapter.

During the negotiations, all parties recognized that closing NYC OTB now would be a catastrophe to the racing industry, costing not only 1300 jobs in New York City, but potentially tens of thousands of jobs upstate, and could irretrievably damage NYRA, the other in-state tracks, and the State's breeding industry. Moreover, it could leave the State or the City with \$700 million in costs to fund pension and other postemployment benefit obligations for NYC OTB's retirees.

What all parties also recognized during the negotiations, was that we could continue to manage our cash flow as we have historically done and that we could provide direct internet wagering access to our patrons through Internet Access Terminals, just as the other OTB's already do, in our parlors and in sports bars. Not only will this allow our customers greater flexibility and convenience, we believe it will also provide us increased revenues to support operations and the racing industry.

In addition, just earlier this month, the bankruptcy court appointed a creditors committee comprised of representatives of our industry, of our employees, and of our landlords to engage with us in negotiating a resolution of our financial situation and developing a plan for

restructuring NYC OTB. We believe that the committee can provide the best forum for all interested parties to come together in an organized fashion with a common purpose to build consensus on a resolution that will work for the entire industry.

These events evidence a significant, meaningful and encouraging change in circumstances from when this Board last convened a little more than a week ago. It therefore would not be wise to shut down operations and engage in mass layoffs if there is an alternative based on what we've learned in the past week. The fiduciary obligations by which each member of this Board is bound mandates that this change in circumstances be thoroughly and carefully evaluated before rushing forward to implement a closure plan.

While not necessarily irreversible, in practical effect even a brief interruption in the Corporation's operations would have a profound negative impact upon the entire racing industry in the State. Not only would wagering handle be sacrificed, perhaps never to be recovered much like yesterday's newspaper retaining no value once a new day has arrived, but the disruption in servicing the Corporation's customers – no matter how limited the duration -- might not be so easily overcome. Some of our suddenly disenfranchised customers are certain to vote with their feet and take their wagering activity elsewhere, and not necessarily to other pari-mutuel wagering entities holding licenses issued by the State Racing and Wagering Board, but perhaps to entities unlicensed in New York who make no contributions to the state's racing industry, pay no pari-mutuel tax or regulatory fees nor otherwise generate revenue for the support of government as required by the State Constitution, and others still to the latter day equivalent of the neighborhood bookie. Shutting down despite a ray of light from Albany on the horizon and the availability of the bankruptcy forum as a negotiating vehicle for all concerned stakeholders to work out a plan for the Corporation and the industry would also be fundamentally unfair to the Corporation's employees who have loyally and proudly served this Corporation and enabled it to generate cumulative revenue of more than \$4 billion over the past 40 years to support State Government, the City of New York and the racing industry.

In exercise of their independent business judgment and in discharge of their fiduciary obligation under Section 2824.1(g) of the Public Authorities Law, as amended effective March 1, 2010, to perform each of their duties as board members . . . in good faith and with that degree of diligence, care and skill which an ordinarily prudent person in like position would use under similar circumstances . . . and ultimately apply independent judgment in the best interest of the authority, its mission and the public . . .”, members of the Board of Directors of the New York City Off-Track Betting Corporation are compelled to weigh the impact of recent developments against the wisdom and necessity for closing down active operations.

We believe we can maintain operations for the benefit of our customers, our industry and employees for an interim period of up to one year, to allow a more permanent resolution of OTB's and the industry's woes, by taking the following steps, which we should consider today:

- Cut costs severely and increase efficiency through the reduction of two thirds of brick and mortar operations, vehicle fleet reductions, deep cuts in management, and headcount reductions, consistent with the memoranda of understanding we have previously reached with our principal unions

- Compensating tracks fairly by paying market rates for their races from the NYC OTB gross handle, treating such payments akin to “cost of goods sold.” While there has been considerable confusion about this element of our plan, this has always been fundamental to our proposal.

- Management of cash flow, consistent with past practice, through the deferral of subsidy payments to the industry.

We need only one piece of immediate, interim legislation, which is necessary to protect our hard-working employees while accomplishing our goal – legislation authorizing early retirement incentives for our employees, at no cost to the State or the taxpayer, to facilitate headcount reduction while converting to a technology-based model.

While we are fixing our operations, we will engage with the creditors committee in our chapter 9 case to come to a resolution as a united industry, which we hope we will then be able to present to Albany together.

We also believe the concerns of NYRA, which has been ailing financially for years, also must be addressed. NYRA is also critical to the entire industry in the state, and its failure would be no less catastrophic to the industry and to our State than our failure would be.

In addition to the actions described above to maintain operations for the interim period, to ensure transparency, we intend to file a cash flow statement, operating budget and operational plan with the New York State Racing and Wagering Board within two-weeks. NYC OTB will also continually file status reports to the Racing and Wagering Board so they can closely monitor the Corporation’s progress. Likewise, we will take whatever steps may remain to comply fully with the applicable requirements of the Public Authorities Law.

We should note that overall cumulative cost reductions from 2004 through 2010 have been about \$87 million. We have implemented headcount reduction of over 25% over that period, and another 4% last year as well as branch closures. We have been able to bring down costs in the past; we are determined to do so now, given all that is at stake.

We look forward to working with our stakeholders in the industry in the context of the Creditors Committee of the Chapter 9 process to resolve not only the outstanding liabilities of NYC OTB but also the legislative changes that are needed to strengthen and promote the racing industry in New York.

We remain grateful to the Governor, the leaders of the State Legislature and our partners in the industry for their continued feedback and input throughout this arduous ordeal. With the implementation of this plan, NYC OTB hopes to continue to make significant contributions to the state economy and position itself for future growth without using taxpayer dollars.

One final note. Throughout this crisis our staunchest supporters have been our employees and their unions. We the Board would be remiss if we left this critical fact unmentioned.